

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING – FEBRUARY 4, 2004

PRESENT: Chairman Anthony Maiola and Commissioners John Byrne and Patricia Russell; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Peter Engel, Director of Store Operations; Aidan Moore, Chief of Enforcement; Richard Gerrish, Spirits Marketing Specialist; Nicole Horton, Wine Marketing Specialist; George Tsiopras, Chief Financial Officer; Howard Roundy, Director of Information Technology; Thomas Chagnon, Assistant Director of Information Technology. Guests: Al Picconi, United Beverages, Inc.; Brian Law, Law Warehouses.

I. FINANCIAL & ADMINISTRATIVE REPORTS

1. Financial Reports

A. Weekly, Y-T-D Sales Reports:

The SA1000 report for the week ending February 1, 2004 shows retail sales were up 41%, on-premise sales were up 42%, off-premise sales were up almost 9.5%, and total aggregate sales were up 30.9%. The traffic count increased by 18,752, as did the average sales ticket by \$6.11.

The W-1 Total Weekly Sales Report for the same week confirms total sales were up almost 31% or \$1,573,200, and were also up for the year by 8.36% or \$18,173,356. Wine sales also increased for the weekly comparison by a little over 34% or \$842,495, as they did by almost 8.8% or \$8,809,249 for the year. Sales of spirits were up by around 28% or \$730,704 for the week, and were also up year-to-date by 8% or \$9,364,307.

Regarding outstanding depletions and post-offs, Craig reported that a check has been received from one of the brokers in arrears in the amount of \$144,000.

A review of gift card sales indicates redemptions are still coming in at a high rate due to the holiday season. Craig remarked that it would be interesting to see how long it takes for this trend to slow down.

Concerning workers' compensation, a meeting is scheduled tomorrow with Val Hamilton from Risk Management to discuss training options for the stores. Craig has requested time at the next Supervisors' Meeting to initiate the training process. He and Peter will discuss with the Supervisors how information can be best disseminated to store employees.

A draft of the Business Continuity Plan has been e-mailed to Bureau Chiefs and copied to the Commissioners. Craig is hoping to have any comments back by February 13th to be able to make the presentation on February 18th. He encouraged

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everyone to screen through the areas which pertain to their departments, and to let him know if there are any questions.

Craig has finally received back the two e-mail licensing documents for Enforcement, which will be ready at the next meeting for Commission signature. Vicky Tinsley from OIT will deliver them to Administrative Services.

Possible disaster recovery sites at Stores #69 Nashua and #76 Hampton and Law Warehouse were visited again, and equipment is ready for installation. Tom Chagnon handed out information regarding each site, citing the pros and cons for each. After some discussion, it was moved by Commissioner Byrne, seconded by Commissioner Maiola, that Store #76 Hampton be selected as the disaster recovery site, as recommended by Tom Chagnon, Assistant Director of Information Technology. The motion was unanimously adopted.

George Tsiopras reported that the revenue estimate for January 2004 for \$8,000,000 actually reached \$8,100,000. The beer estimate came in exactly as planned.

The latest W-6 Expense Budget Activity Variance Report shows the year to be at about 59.7% expended, with total agency expenditures of the budget at approximately 59.34%. There will be a deficit in the Personnel line, as any reclassifications and changes in insurance policies will have to be funded. Deficits in the personnel lines will have to be absorbed by other class lines which are also running short at this point of the year. Other deficit accounts are Class 50, which includes overtime in stores and the warehouse, and Class 60 Benefits. About \$68,000 is needed to meet utility costs. There are some areas of savings in IT maintenance. There will be no transfers into the salary accounts before the fiscal year has expired. Craig said that other transfers for utilities, Class 50 and the warehouse will probably take place around the end of March before going through Fiscal Committee and Governor and Council. George will continue to work with Peter and John Bunnell to revise projections. Commissioner Byrne remarked that there was a very thin margin between surpluses and deficits.

Aidan commented that if SB 326 passes, it will change the way benefits are calculated, with a large number of employees taking early retirement to preserve their benefits.

Craig asked if the Commission wanted the transfer process to begin now before the next Fiscal Committee meeting in March. It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that a transfer request be made to open the two new stores in Bedford and Seabrook and to cover \$215,000 in deficit accounts. The motion was unanimously adopted.

2. IT Report

New code has been installed in each store to alleviate “piggy-backing” problems. It is too early to tell if this measure will be successful.

The Office of Information Technology approved the request for hand held scanners. Howard thanked everyone involved for their hard work.

There have been some discussions with ACR regarding the operating system in the stores no longer being supported at the end of the year. ACR will make a presentation on February 17th regarding this issue. Craig said an amendment is being prepared for a source code for ACR software. If this can be migrated into the new program, it will be brought to the Commission for review.

George said that the first mass cash card activation was issued, which went very well.

II. MARKETING & SALES REPORTS

1. Store Operations

Total store sales for the week ending 2/1/04 were up 35.71% or \$1,326,962.62, much of which was attributed to the weather conditions. Peter noted that almost every store, with the exception of Store #15 Keene, experienced increased sales. He believed that the lack of increase in Keene was possibly due to the change in licensee business to the Swanzey store. There are also some difficulties with the current Keene store’s location and accessibility.

Martignetti Companies is now in possession of 4,096 Paymentech gift cards as part of the future spring wine promotion.

A meeting will be held at the rectifier facility in Londonderry for training sessions next Thursday. In addition, the spring kick-off meeting will be held at C.R. Sparks next Thursday from 10:00 a.m. to 1:30 p.m. with Martignetti.

Commissioner Byrne made a motion to review the use of all Class 50 monies over the next eight weeks. He did not favor a 12% increase during February, March and April. He felt the Commission should direct Store Operations not to exceed on a weekly basis monies appropriated in the Class 50 line. Commissioner Maiola said he would not vote to close any stores. Commissioner Byrne withdrew his motion. Peter Engel will put together a plan for Commission review and approval.

Peter and John Bunnell will attend a meeting next Wednesday at 1:30 a.m. to hear a presentation from a company relative to adding an attachment at registers to process sweepstakes tickets.

John Bunnell thanked staff who helped put together the wine tasting at the Center of New Hampshire. He said this was a first class event with over 800 people in attendance.

2. Purchasing Report

There was nothing of significance to report in the out-of-stock area for the past week.

3. Merchandising Report

A. SPIRITS:

1) March Special Offers (2 items – Horizon Beverage Company):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve two (2) special spirit offers from Horizon Beverage Company, to be featured on sale during March 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Test Market Products:

a. Test Market Request (Level Vodka):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Future Brands LLC for a new test market listing for Level Vodka, 750ML size (assigned Code #3552), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Test Market Request (Smirnoff Cranberry Twist Vodka):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Diageo North America for a new test market listing for Smirnoff Cranberry Twist Vodka, 750ML size (assigned Code #3610), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. Test Market Request (Michter's American Whiskey):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Martignetti

Companies of N.H./Michter's Distillery for a new test market listing for Michter's American Whiskey, 750ML size (assigned Code #1692), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. Test Market Results (Codes #5706 & #5708):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission delist Code #5706, Ronrico Citrus Rum and Code #5708, Ronrico Vanilla Rum, 750ML sizes, as both products failed to achieve the required gross profits for both full distribution and specialty listing at the conclusion of a six-month test market period, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Line Extension Request (Smirnoff Apple Twist):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission acknowledge the withdrawal by United Beverages, Inc./Diageo North America of a line extension request for Smirnoff Apple Twist, 1.75L size and withdrawal by United Beverages, Inc./Barton Brands of a request for full distribution of Code #5405, Amaretto di Amore, 375ML size. The motion was unanimously adopted.

4) Specialty Status (15 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a change in status from full to specialty for fifteen (15) spirit items which failed full distribution gross profit requirements but did exceed specialty status gross profit requirements during a twelve-month period ending December 31, 2003, to be carried in liquor specialty stores only, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) 3-Month Warnings:

a. 25 items:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve issuing three-month warning notices for twenty-five (25) spirit items which failed specialty gross profit requirements, but did achieve 85% of the gross profit threshold during a twelve-month period ending December 31, 2003, as recommended by Richard

Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 33 items:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve issuing three-month warning notices for thirty-three (33) spirit items which failed specialty gross profit requirements, but did achieve 85% of the gross profit threshold during a twelve-month period ending December 31, 2003, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

6) Delist:

a. 19 items:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the delisting of nineteen(19) spirit specialty items which failed to achieve specialty gross profit requirements and 85% of the gross profit threshold during a twelve-month period ending December 31, 2004, but to keep listed seven (7) spirit specialty items due to their uniqueness, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 7 items:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the delisting of seven (7) spirit items which failed to achieve both full distribution and specialty listing gross profit requirements during a twelve-month period ending December 31, 2003, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

7) Holiday Pack Purchase (Absolut Vodka/Citron Vodka):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from United Beverages, Inc./Future Brands LLL, for the Commission to purchase the remaining cases of Code #1133, Absolut Britto Pack, to be broken up into individual selling units of Code #3625, Absolut

Vodka and Code #3724, Absolut Citron, 750ML sizes, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

8) Consumer Sweepstakes (Jameson and Bushmills Irish Whiskeys):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Pernod Ricard USA to conduct a consumer sweepstakes in conjunction with Code #2585, Jameson Irish Whiskey and Code #2952, Bushmills Irish Whiskey, 750ML sizes during March 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

B. WINES:

1) New Wine Product Listings (15 codes):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve full distribution, to be made available upon request, of fifteen (15) wine codes which have earned at least \$6,500 during a twelve-month period, the majority of which have been in the retail and on-premise markets, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Special Offers for St. Patricks Day Sale:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve one special offer from Martignetti Companies of N.H. and four (4) special offers from Horizon Beverage Company for inclusion in the St. Patrick's Day Sale in March 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Special Offers for April 2004 (16 items – Pine State/E&J Gallo):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Pine State Trading Company/E&J Gallo Winery, based upon depletions of sixteen (16) wine items, to be featured on sale during April 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) Moet & Chandon Dom Perignon:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a change in the everyday price of Code #8622, Moet & Chandon Dom Perignon, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) Recommended Wine Specialty Products (12 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve twelve (12) wine codes to be designated as wine specialty products, to be carried in wine specialty stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

6) “R” Wines for Allocation to Licensees and Retail Distribution (2 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve two (2) “R” wines for allocation to licensees selected by the broker, and retail distribution, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

7) Primary Source Submissions (6 items – primary source; 5 items – exclusive agent; 15 items – imported):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the listing of two (2) wine codes which are from primary source, five (5) wine codes which are not from primary source, but are offered by the exclusive marketing agent, and fifteen (15) wine codes which are not from primary source, but are imported, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

III. ENFORCEMENT & LICENSING REPORTS

Aidan referred to his e-mail regarding a visit by four or five members of the EDNA Committee during next week’s Commission meeting, who are studying proposed House Bill 1159. They are primarily interested in observing recommendations made for Commission action and in the purchasing process of liquors and wines.

IV. CHAIRMAN’S REPORT & LATE ITEMS

1. Bailment Requests:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve all previously reviewed requests for bailment releases/transfers

dated January 29 through February 4, 2004. The motion was unanimously adopted.

2. Coupon Approvals: None.

3. Late Items/Other:

a. Year End Inventory – Early Store Closings:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve early closings for the following four store locations on Sunday, March 28, 2004 to facilitate the year-end inventory process, as recommended by John Larochelle, Assistant Director of Store Operations and concurred by Peter Engel, Director of Store Operations and John Bunnell, Administrator of Marketing & Sales: #38 Portsmouth, #67 Hooksett, #73 and #76 Hampton. The motion was unanimously adopted.

b. Request for Supplemental Budget:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve applying to Fiscal Committee for additional funding that will enable the Commission to operate two new store locations in Bedford and Seabrook, and to request a supplemental budget, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. Royal Bitch Wines:

It was moved by Commissioner Maiola, seconded by Commissioner Byrne, that the Commission consider for listing a submission from Martignetti Companies of N.H. for Royal Bitch wines. The motion was passed on a two to one vote, with Commissioner Russell opposed.

Anthony C. Maiola, Chairman

John W. Byrne, Commissioner

Patricia T. Russell, Commissioner

/D. Hartford

